

RISK AND ASSURANCE COMMITTEE
COMATAIDH CHUNNART AGUS SGRÙDAIDH

**MINUTE OF THE MEETING HELD ON 4 JUNE 2024 AT 0900 AT AN LÒCHRAN, INVERNESS CAMPUS,
AND BY TELECONFERENCE**

PRESENT (ONLINE): Angus Campbell (*Chair*)
Calum Ross
Keith Nicholson

IN ATTENDANCE (AN LÒCHRAN):

Stuart Black	Chief Executive
Sandra Dunbar	Director of Business Improvement and Internal Audit
Nick Kenton	Director of Finance and Corporate Services
Louise Macmillan	Audit and Assurance Manager
Andrew Jenkins	Head of Financial Services, items 2.2 and 3.2
Elaine Hanton	Senior Project Lead, item 2.3
Dave MacLeod	Head of Property and Infrastructure, item 2.3
Tim Hurst	WES Managing Director, item 2.4
James Laraway	Business Improvement Manager, items 4.4 and 4.5.1
Janie Sheridan	Head of Business Transformation, item 4.6

IN ATTENDANCE (ONLINE):

Kyle McAulay	Senior Manager, Audit Scotland
Andrew Carton	Team Leader of Sponsorship, Scottish Government
Adrian Kitson	Head of Executive Office
David Hamilton	EU Funding Manager, item 2.1
Zoe Laird	Head of Growth Deals, item 4.5.2
Craig Lawrence	Customer Service Improvement Manager, item 4.7
Lewis MacDonald	Head of Enterprise Finance, item 4.8

1 STANDING ITEMS
CUSPAIREAN COTHROMACH

1.1 Welcome and apologies

The Chair welcomed everyone to the meeting, noting apologies from new Board and Committee member Allan Clow.

Committee member Keith Nicholson had notified the Chair in advance that he would need to leave the meeting at 10:00am and would be away for a short period. It was noted that the meeting would not be quorate, and it was agreed to suspend the meeting during this time. Adjustments were also made to the order of agenda items to be taken to accommodate the change.

1.2 Declarations of interest

The Chair of the Committee made a transparency statement about his role in the UHI Court noting that there was no direct conflict of interest in relation to any of the papers to be discussed. Board member Calum Ross also made a transparency statement in relation to him being a member of the UHI Court noting that there was no direct conflict of interest in relation to any of the papers to be discussed. The Director of Finance and Corporate Services made a transparency statement in relation to him being a Director of HIE Ventures which is mentioned in Item 4.8 Investment Portfolio.

1.3 To approve minute of the Risk and Assurance Committee meetings held on 14 March 2024

The minutes of the meeting held on 14 March 2024 were approved.

1.4 Matters arising from the Risk and Assurance Committee meeting of 14 March 2024

[Sentence removed in the interests of the effective conduct of public affairs]. [Part of sentence removed in the interests of the effective conduct of public affairs], an exercise was carried out which picked-up key points such as cost and funding certainty, understanding risk and when a project funding level is close to the next level of delegated authority. These have been included in the process update guide for wider staff and are looking to embed as part of wider sharing through lessons learned sessions with the next taking place on 24 June for major projects. The Director agreed to share a summary of the lessons and how they are being embedded in the organisation.

All other matters arising are covered on the meeting agenda.

1.5 Matters arising from the HIE Board meeting held on 22 April 2024

There were no other matters arising that were not covered on the meeting agenda.

2 CURRENT AND EMERGING ISSUES CÙISEAN LÀITHEIL

2.1 ERDF claims update

David Hamilton joined the meeting.

The EU Funding Manager presented an update paper to the Committee on ERDF Audits and Claim progress covering 4 key areas as follows.

1. *[Paragraph removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].*
2. *[Paragraph removed in the interests of the effective conduct of public affairs].*
3. Progress in the submission and verification of final claims for the current programme, these are currently being verified by the MA. Representatives from the MA are visiting Inverness on 29th to 31st May to discuss and resolve any issues arising with the claims with the aim to get these paid in June 2024.
4. *[Paragraph removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].*

[Paragraph removed in the interests of the effective conduct of public affairs].

[Paragraph removed in the interests of the effective conduct of public affairs].

The Committee noted the update.

David Hamilton left the meeting.

2.2 Enterprise Resource Planning (ERP) update

Andrew Jenkins joined the meeting.

[Item removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].

Andrew Jenkins left the meeting.

2.3 Cairngorm Update

Elaine Hanton and Dave MacLeod joined the meeting.

[Paragraph removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].

[Paragraph removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].

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[Paragraph removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].

[Paragraph removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].

[Paragraph removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].

HIE have prepared a draft assurance letter for CMSL which will be discussed with the CMSL auditor and then issued to CMSL.

[Paragraph removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].

The Chief Executive outlined that this remains a very high risk, complex and difficult project with the team making incredible efforts and involving significant amounts of senior management time. It is the highest profile issue that HIE is currently dealing with and is very important in terms of HIE's reputation. HIE is also ensuring that the Scottish Government is kept up to date and aware of the risks HIE is carrying.

Noting the comprehensive presentation, the Committee had a number of questions and discussed the issues raised in the update in detail. Following discussions, the Committee commented that they were reassured by the approach being taken by HIE *[part of sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity]*. They thanked the team and confirmed their awareness of the risks with the project and the process that has to be gone through.

Elaine Hanton and Dave MacLeod left the meeting.

2.4 Wave Energy Scotland (WES)

Tim Hurst joined the meeting.

The Managing Director of Wave Energy Scotland provided an update to the Committee on progress of WES covering a number of areas including 1) the WES Technology Programme; 2) Direct Generation; 3) EuropeWave; 4) SEETIP Ocean; 5) Future Programmes; and 6) WES Strategy along with an overview of current risks.

Highlighting that after nine years WES is reaching the point where some good technology is now coming out of our programme in terms of cost, reliability and performance with the need for this to be commercialised. There needs to be a programme of taking proven technology and turning it into a product that can be delivered to the market.

There is the ongoing Europe-wide project delivering the next generation of technology, *[part of sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity]*. *[Sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity]*.

[Paragraph removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].

Tim Hurst left the meeting.

3 ACCOUNTS RELATED **STUTHAN CUNNTASACHAIL**

3.1 Audit Scotland progress update

[Item removed in the interests of the effective conduct of public affairs].

3.2 HIE annual accounts timetable for 2023/24 update

Andrew Jenkins joined the meeting.

The Head of Financial Services provided a summary of progress with preparation of the annual accounts. With the elongated timeline for preparation, it was confirmed that progress was primarily on target with most of the deadlines, some of which have been hit in advance of the timetable. The only area slightly behind is property valuations where the property team have been taking the time to fully scrutinise the valuations and this should be completed in the next week. There has been a good interim audit and HIE will pick up on the points raised in the update provided by the Senior Manager, Audit Scotland and look to resolve these issues prior to the completion of the annual accounts.

The subsidiary audits are under way with no issues arising from the auditors and the draft consolidation packs for our annual accounts are due at the end of the week.

The Committee noted the update.

Andrew Jenkins left the meeting.

3.3 Business Improvement and Internal Audit (BIIA) report – Certificates of assurance for 2023/24

The Director of BIIA outlined that as part of the annual assurance process, an exercise is undertaken to gather all the information related to control environment within HIE which includes returns from all business units, group companies, internal governance groups and those responsible for areas of key activity. This also includes the output from the work of Audit Scotland and internal audit.

The report identified good practice and made recommendations in terms of key areas of control improvements specifically relating to other income and major projects which will be actioned through HIE's lessons learned approach. *[Sentence removed in the interests of the effective conduct of public affairs]*. Themes such as insurance cover and approach to loan write off across the public sector were noted as potential public service reform opportunities.

The Audit and Assurance Manager confirmed that that the key findings were that overall the controls have been working well with some areas for improvement identified.

The Chair asked about the revenue cover for loans write off and if this is a common approach by government across all of the public sector. The Director of BIIA outlined that it is not unique to HIE but that there are different treatments, for example, Scottish National Investment Bank (SNIB) have different arrangement with greater public sector cover. The issue for HIE has become greater as the revenue budget has reduced with any loan write-off being a greater proportion of our revenue budget. The issue has been raised with Directors within Scottish Government and the Sponsor Team.

The Committee noted the update.

3.4 Draft governance statement for 2023/24

The Audit and Assurance Manager confirmed that the draft statement is to provide the Committee with an early sight of what may be included in the final statement which will be part of the annual report and accounts.

The Committee noted the update.

4 PLANNED ACTIVITY GNÌOMHACHDAN PLANAICHTÈ

4.1 RAC annual report on activity 2023/24

The Committee agreed the report on activity which would be provided to the HIE Board.

4.2 Director of BIIA annual report for 2023/24

The Director of BIIA presented the report which she is required to provide on an annual basis to the Accountable Officer and the Committee, summarising the activity of the directorate in year and

providing an opinion on the overall system of internal control. The overall conclusion is that the systems of overall internal control in financial year 2023/24 were generally satisfactory and is based on all assurance activity undertaken in year through the integrated assurance approach.

The Director outlined areas where there are opportunities for improvement and to reflect on the learning from experience, particularly around other income.

One key area to highlight is the knowledge sharing environment which is something that HIE want to encourage further. This includes sharing knowledge internally, but also externally for example there has been engagement with Scottish Government around the changes that have been made to the Scottish Public Finance Manual. Another example is in relation to how HIE has embraced the new subsidy regime and was the first organisation in Scotland to present a submission to the Competitions and Marketing Authority (CMA) and that allowed HIE to move forward with a very significant inward investment.

There remain ongoing issues around Cairngorm however there is a robust and transparent approach to how HIE is dealing with those and being very open about the risks and issues.

The Board noted the comprehensive report.

4.2.1 Assurance plan progress report – February and March 2024

The Audit and Assurance Manager outlined that this is the report that is provided to every meeting outlining progress against the assurance plan for 2023/24. This report specifically covered details of activity in the period February to March 2024, and year-to-date position, including outputs delivered.

It was noted that the plan for 2023/24 has been largely delivered, with the exceptions as reported at the March meeting as follows: 1) ERP controls review due to the stage of project delivery; 2) Partner IS reviews – dependent on output from partner risk workshop; and 3) Service Charter – Head of Executive Office planning updated Charter to be in place by end September 2024.

A significant proportion of work undertaken by the internal audit team in year has been focused on support for the preparation and audit of EU claims, review and update of policies and procedures and subsidy support which is captured as non-assurance activity when reporting. The capture and dissemination of lessons learned remains a continued area of focus.

The Committee noted the report.

4.3 2024/25 plans

4.3.1 RAC plan for 2024/25

The Director of BIIA highlighted that there are standing agenda items for each meeting, but the aim is also to ensure that, alongside the planned activity, the Committee gets time to focus on key assurance areas such as major projects, Cairngorm and ERP. There is also a need to remain responsive to emerging issues so this will remain as a standing item on the agenda.

The Committee agreed the plan.

4.3.2 HIE Assurance plan for 2024/25

The Director of BIIA outlined that the BIIA team prepare an assurance plan for HIE which aims to support management in the delivery of HIE priorities and achievement of regional outcomes, and to provide the Accountable Officer with assurance on the effectiveness of the internal control environment. In preparing the HIE assurance plan, the team have sought to understand the current operating environment and have considered a range of factors including changes to strategic, economic, fiscal and organisational delivery environments, emerging issues, current key risks, lessons learned and the regulatory environment. There has also been recognition of the need to allow flexibility to respond to new or unforeseen requirements and to ensure deliverability of the plan with the resources available. Not all activity will be a formal internal audit review, recognising the integrated assurance approach which has been adopted by HIE.

There is an emphasis this year on ensuring accountability at senior ownership level for projects and other income, and this will also be monitored as part of the internal control feedback arrangements.

The Committee agreed the plan.

4.3.3 IS Audit Plan (Partners) for 2024/25

[Item removed in the interests of the effective conduct of public affairs].

4.4 Risk Register, April 2024

James Laraway joined the meeting.

The Director of BIIA provided a brief introduction highlighting that the version of the corporate risk register presented, is the first one since the annual risk register refresh and is a slightly amended version to the one that was considered by the HIE Board on 22nd April 2024, *[part of sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity]*. There have also been amendments made to reflect the changes in the political stakeholder landscape to ensure the voice of the region is put forward to these stakeholders and updated some of the detailed points particularly around live issues such as Cairngorm. A more substantive paper will be presented to the next meeting of the Board.

The Chair noted the increase in risk for two issues, *[part of sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity]* and the other on maximising other funding opportunities, both of which are very relevant and reflects the earlier discussion. A further potential issue was raised relating to Sutherland Spaceport and the mast proposed for Ben Tongue. It was agreed that a short briefing would be provided.

The Committee noted the comprehensive update provided.

4.5 Lessons Learned

Zoe Laird Joined the meeting.

4.5.1 Approach to knowledge sharing and lessons learned

4.5.2 Growth deals – updates on progress

Items 4.5.1 and 4.5.2 were both covered together.

The Director of BIIA highlighted that knowledge sharing and lessons learned were important areas for HIE ensuring learning from both what has worked well and where areas for improvement have been identified.

There are many examples of good practice knowledge sharing as part of Business As Usual (BAU) activities across HIE however there are opportunities to have a more systematic approach. There are also complexities that are inevitable when working on large partnership projects with HIE often taking a lead role and supporting our partners navigate and build confidence in dealing with issues. There are also opportunities to ensure learning is captured from external sources such as partners and Scottish Government. A programme approach is being taken to share experience through webinars and more formal training to maximise the benefit.

The Head of Growth Deals provided an update on progress of the growth deals, outlining the range of ways in which HIE is working proactively to resolve the risks and issues faced by growth deal boards and projects across the region. This also includes a strong knowledge sharing and lessons learned environment within HIE and drawing in lessons from across the public sector. As previously outlined, HIE is working to be a good partner, helping partners to understand complex issues and to bring learning that can support future business cases, especially around areas such as sustainable operating models.

The Committee noted that they were pleased to hear the comments made about the interaction with other public bodies due to the history of bodies working in silos and, with the current environment of reduced funding, it is important that everyone operates in the same space to maximise outcomes. The Committee also asked if there was confidence that the lessons being learned as an organisation are reaching the right people within the organisation. The Business Improvement Manager confirmed that this was happening on a case-by-case basis and with regards knowledge sharing, it is the aim to embed the project team approach earlier within the project lifespan to get all relevant people, including technical experts, together at an early stage in the process.

The Committee noted the update and look forward to revisiting this in the future as it matures and when there has been a chance to embed this in practice and the results can be evidenced. They are also keen to see how the interaction with other organisations improves through this approach.

James Laraway and Zoe Laird left the meeting.

4.6 Best Value annual report 2023/24

Janie Sheridan joined the meeting.

The Head of Business Transformation outlined that the report provided to the Committee, was a summary of the full best value plan that was presented to the leadership team at the six months stage. Highlighting that the report is positive with a number of tracked improvements and actions taken, both since the six months stage and also since HIE started looking at this last year.

The Committee noted that client engagement with HIE electronically through the MyHIE portal has significantly increased and were pleased to see the extent of the reach to HIE's client base apparent throughout the report. There are some areas for action, and they have been reviewed by business units and have been positively received. It was noted that since the original report, nearly 1200 records have been updated which confirms that staff are taking the actions seriously in terms of improving data quality. The next steps are in relation to how this feeds into the leadership team planning and strategy sessions, and thereafter having a clear plan for the current financial year, and starting to look at some targeted metrics. Progress on this will be reported back to a future Risk and Assurance Committee meeting.

The Committee noted the report.

Janie Sheridan left the meeting.

4.7 HIE information requests and complaints feedback report 2023/24

Craig Lawrence joined the meeting.

The Customer Service Improvement Manager presented an update on areas of activity relating to information requests and complaints covering the 12 months from 1 April 2023 to 31 March 2024. The report covered 1) An overview of customer feedback, incorporating compliments and complaints for Highlands and Islands Enterprise (HIE), Wave Energy Scotland (WES) and Cairngorm Mountain (Scotland) LTD; 2) An overview of requests received under the Freedom of Information (Scotland) Act and Environmental Information Regulations for both HIE and WES; and 3) A high-level overview of next steps in terms of delivering the wider Customer Service agenda.

The Manager reported a continued increase in the volume of FOI requests being received year on year with an increase from 80 during 2022/23 to 95 during 2023/24. The requests for reviews of FOI responses had also significantly increased on the previous year. The Chief Executive highlighted a spike in activity which coincided with HIE announcing that it was going to have to close the Mountain Railway resulting in the team being required to deal with a significant number of information requests which is very time consuming, and staff have raised this in terms of workload impacts on them.

Frontline complaints dealt with reduced from 18 during 2022/23 to 12 during 2023/24 with a reduction in stage 2 investigations from 6 to 1 for the same period, with no reviews undertaken by the Scottish Public Services Ombudsman (SPSO) during the year. It was also noted that HIE dealt with a significant volume of correspondence from a frequent correspondent during the year with steps taken to re-direct emails sent to HIE staff directly to the Customer Service mailbox to effectively manage communication channels and protect individual staff members.

The Committee noted the report.

Craig Lawrence left the meeting.

4.8 Investment portfolio

Lewis MacDonald joined the meeting.

The Head of Enterprise Finance presented the report and updated the Committee of one additional loan which had not been included in the report.

The Committee in noting the report, asked whether issues such as payments not being received, and risks of default are being reviewed. It was noted that HIE Finance record payments and project officers are allocated for each loan. The Head of Enterprise Finance explained that a member of the team has bi-weekly meetings with BIIA on their case reviews and this is an opportunity to pick-up potential issues and support project officers on potential solutions earlier through that process. The Director of BIIA also confirmed that when organisations are slow on repayment, it's about supporting those clients, understanding the challenges and seeing if there is anything HIE can do to try and come up with some solutions. Non-payment is just one indicator, and what is important is that HIE is active in terms of aftercare and monitoring support. Some of the insights and intelligence from signals such as non-payment are not separate to what HIE does, they are part of the toolkit to support clients.

Lewis MacDonald left the meeting.

4.9 RAC development programme

The Director of BIIA reported that the Committee had requested a subsidy session as a key part of their development, and this will be arranged. The Committee were also asked to consider if there were other areas they would wish to focus on, and these can be built into the development programme.

4.10 Any Other Business

There was no other business.

4.11 Date of next meeting

The next meeting of the Risk and Assurance Committee will take place on 17 September 2024.

Adrian Kitson
Head of Executive Office
4 June 2024

APPROVED